



Health Care Reform Coordinating Council

HEALTH INSURANCE RATE REVIEW

Presentation by
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Report on Health Insurance Rate Review and Information Provided to Consumers

On August 17, 2011, the MIA issued a report setting forth its plan of action with respect to an HHS grant-funded consultant's recommendations regarding:

- Enhancements to rate review process
- Increased transparency
- Opportunity for public comment



Phased Implementation of Enhanced Rate Review

Perform enhanced rate review for rate filings proposing a change in rates in the individual and small group market segments as follows:


- Sept. 1, 2011: Proposed rate increase of $\geq 10\%$ (“subject to review” per HHS)
- July 1, 2012: All rate filings in the individual market
- January 1, 2013: All rate filings in the small group market



Components of Enhanced Rate Review

The MIA must consider each of the following factors in determining whether a proposed change in rates is unreasonable:

1. Medical trend changes by major service category;
2. Utilization changes by major service category;
3. Cost-sharing changes by major service category;
4. Benefit changes;
5. Changes in enrollee risk profile;
6. Impact of over- or under-estimating medical trends in prior years;
7. Reserve needs;
8. Administrative costs related to programs that improve health care quality;
9. Other administrative costs;
10. Applicable taxes, licensing and regulatory fees;
11. Medical loss ratio; and
12. Insurer's surplus level relative to national standards.



Components of Enhanced Rate Review (cont'd)

Health plans must submit two justification forms developed by HHS:

- Preliminary Justification Part I must include:
 - ❑ Historical and projected claims experience;
 - ❑ Trend projections related to utilization and service or unit cost;
 - ❑ Any claims assumptions related to benefit changes;
 - ❑ Allocation of the overall rate increase to claims and non-claims costs;
 - ❑ Per enrollee per month allocation of current and projected premium; and
 - ❑ Three-year history of rate increases for the product associated with the rate increase.
- Preliminary Justification Part II must include a simple, brief narrative describing:
 - ❑ The data and assumptions used to develop the proposed rate increase, including the rating methodology;
 - ❑ The most significant factors causing the proposed increase; and
 - ❑ A brief description of the policy's overall experience, including historical and projected expenses and loss ratios.



Determination by MIA

- The MIA will use the information received to determine whether the proposed rate change is “unreasonable” as defined by HHS.
- “Unreasonable” means “excessive, unjustified, unfairly discriminatory, or otherwise unreasonable as provided under applicable state law.”



Other Rate Review Process Enhancements

The MIA is in the process of:

- Implementing a standard checklist for carriers when preparing individual and small group rate filings;
- Exploring the feasibility and desirability of using data from MHCC and HSCRC to develop benchmark trends; and
- Amending regulations to provide for advance notice of a premium change by insurers and nonprofit health service plans in the individual market at least 45 days prior to the change.



Increased Transparency and Opportunity for Public Comment

- The MIA will provide access from its Web site to Parts I and II of the Preliminary Justifications for proposed rate increases subject to review through a link to HHS's Web site.
- A dedicated email has been established and posted on the MIA website for consumers to submit comments regarding rate filings subject to enhanced review.



Cycle II Grant Application

MIA applied for a Premium Rate Review – Cycle II grant from HHS to fund:

- Additional actuarial staff (continued from Cycle I grant);
- Web and database development staff;
- Consulting assistance with developing trend assumption benchmarks using claims data from other State agencies;
- Contractual assistance with anticipated spike in rate filings in 2013.